GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1589
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Economic Slowdown
Malyadri Shri Sriram;Singh Shri Dushyant

Will the Minister of FINANCE be pleased to state:

(a) whether there has been a significant adverse effect on the Indian economy due toslowdown of Chinese economy and devaluation of Yuan;

(b) if so, the details thereof including those economic sectors which are the most affected;

(c) the details of the corrective measures taken by the Government to support the affected industries/sectors in order to encourage the investment under such adverse conditions;

(d) whether the Government expects to meet the target annual growth rate set for 2015-16 and if so, the details thereof; and

(e) the steps taken by the Government to boost Indian economy?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) and (b): The World Economic Outlook Update of the International Monetary Fund (January 2016) indicated that the slowdown and rebalancing of the Chinese economy and turbulence in their financial markets including depreciation of their currency could have an impact on the growth outcome of the Emerging Market and Developing economies. The impact of global developments can be assessed through trade, commodity prices and financial channels. While exports have slowed, imports have also slowed considerably on account of global commodity prices declining significantly. As per the advance estimates of the Central Statistics Office, India's growth rate is estimated to have picked up from 7.2 per cent in 2014-15 to 7.6 per cent in 2015-16, with net exports making a positive contribution to growth. The rupee weakened on account of rise of US dollar globally; however, the Indian currency has been relatively stable on an annual average basis in 2015-16.

Due to sluggish global demand for steel, in particular in China, major global steel producers are pushing steel products into different markets. There has been a surge in steel imports. The slowdown in China has also resulted in a sharp fall in commodity prices, and India, being the major importer of oil and other minerals, has benefited from softer oil and commodity prices.

(c) Government has taken various steps to protect the domestic steel industry which, among other measures, include: imposition of minimum import price condition on various steel products; imposition of anti-dumping duty for specific grades of steel imported from certain countries; imposition of safeguard duty on certain products; raising the basic customs duty on specified items; and, measures to increase availability of coal and iron ore for the domestic steel industry. The investment facilitation measures introduced by the Government under the Make-in-India Initiative are expected to give a boost to investment in different sectors.

(d) Government has not fixed any target for GDP growth for 2015-16. Central Statistics Office has estimated the growth rate in GDP at constant market prices in 2015-16 to be 7.6 per cent (Advance Estimates).

(e) The Government of India has taken various initiatives to boost the growth of the economy which, inter alia, include; fillip to manufacturing and infrastructure through fiscal incentives and concrete measures for transport, power, and other urban and rural infrastructure; reforms and liberalization of foreign direct investment in major sectors; measures to debottleneck the supply of key raw materials; Skill India and Digital India initiatives; "Make in India" initiative along with the attendant facilitatory measures for a more conducive environment for investment; Start-up India initiative to boost entrepreneurship and creation of jobs; and, various measures to improve clarity and transparency in economic policy-making. The other measures like; financial inclusion and boost to household financial savings though Pradhan Mantri Jan Dhan Yojana; launching of Micro Units Development and Refinance Agency Ltd; "Stand Up India Scheme" to promote entrepreneurship among SC/ST and women entrepreneurs; are also expected to promote growth. The Budget 2016-17 continued the Government's growth promoting agenda with many measures which, among others, include: continued push to boost domestic demand; measures to improve agricultural growth and rural infrastructure; time-bound plans for rural electrification and connectivity; push to infrastructure development; efforts to promote manufacturing with rationalization in customs and excise duty rates; further rationalization of FDI policy in various sectors; and, improving the ease of doing business for start-ups.